

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS
SUPPORTING A STATEWIDE BALLOT INITIATIVE TO REQUIRE VOTER APPROVAL
BEFORE STATE GOVERNMENT MAY TAKE LOCAL TAX FUNDS**

WHEREAS, state government annually seizes over \$800 million in city property tax funds (ERAF) statewide, costing cities over \$6.9 billion in lost revenues over the past 12 years and seriously reducing resources available for local public safety and other services; and

WHEREAS, in adopting the state budget this year the Legislature and Governor appropriated local vehicle license fee backfill and redevelopment property tax funds that are needed to finance critical city services such as public safety, parks, street maintenance, housing and economic development; and

WHEREAS, the deficit financing plan in the state budget depends on a local property and sales tax swap that leaves city services vulnerable if the state's economic condition fails to improve; and

WHEREAS, the adopted state budget assumes an ongoing structural budget deficit of at least \$8 billion, putting city resources and services at risk in future years to additional state revenue raids; and

WHEREAS, it is abundantly clear that state leaders will continue to use local tax funds to balance the state budget unless the voters limit the power of the Legislature and Governor to do so; and

WHEREAS, the voters of California are the best judges of whether local tax funds should be diverted, confiscated, shifted or otherwise taken to finance an ever-expanding state government; and

WHEREAS, the General Assembly of Voting Delegates of the League of California Cities at its September 10 2003, meeting voted to sponsor a statewide ballot initiative to empower the voters to limit the ability of state government to confiscate local tax funds to fund state government; and

WHEREAS, the League has requested that cities offer support for a November 2004 ballot initiative that will allow voters to decide whether state government may appropriate local tax funds to fund state government operations and responsibilities.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MILPITAS that the City hereby expresses its strong support for a statewide ballot initiative to allow voters to decide whether local tax funds may be taken, confiscated, shifted, diverted or otherwise used to fund state government operations and responsibilities; and

RESOLVED FURTHER, that the City Council and staff are authorized to provide impartial informational materials on the initiative as may be lawfully provided by the City's representatives. No public funds shall be used to campaign for or against the initiative; and

RESOLVED FURTHER, that the residents of Milpitas are encouraged to become well informed on the initiative and its possible impacts on the critical local services on which they rely; and

RESOLVED FURTHER, that the City Clerk is hereby directed to send a copy to the Executive Director of the League of California Cities.

PASSED AND ADOPTED this 3rd day of February, 2004, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Gail Blalock, City Clerk

Jose S. Esteves, Mayor

APPROVED AS TO FORM:

Steven T. Mattas, City Attorney

SAMPLE CITY COUNCIL RESOLUTION¹

A RESOLUTION SUPPORTING A STATEWIDE BALLOT INITIATIVE TO REQUIRE VOTER APPROVAL BEFORE STATE GOVERNMENT MAY TAKE LOCAL TAX FUNDS

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NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF _____ that the City hereby expresses its strong support for a statewide ballot initiative to allow voters to decide whether local tax funds may be taken, confiscated, shifted, diverted or otherwise used to fund state government operations and responsibilities; and

RESOLVED FURTHER, that the City Council and staff are authorized to provide impartial informational materials on the initiative as may be lawfully provided by the city's representatives. No public funds shall be used to campaign for or against the initiative; and

RESOLVED FURTHER, that the residents of the City are encouraged to become well informed on the initiative and its possible impacts on the critical local services on which they rely; and

RESOLVED FURTHER, that the city manager (or clerk) is hereby directed to send a copy to the Executive Director of the League of California Cities.

ADOPTED this _____ day of _____, 200____.

¹ Cities are encouraged to use this sample resolution to support the September 10 action of the League General Assembly to sponsor an initiative on the November 2004 ballot.



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LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT—AN OVERVIEW November 2004 Election

State-Local Fiscal System Broken. There is widespread agreement that the state-local fiscal relationship is broken. One of the reasons is because state leaders no longer respect the difference between state and local tax revenues. In recent years, the state legislature and governor have approved laws that divert, use or delay the payment of local tax revenues to local governments that finance public safety, public health, park, library, street maintenance and other vital community services. This has caused pressure for higher local fees that can increase the cost of housing.

Local Funds Drained for Higher State Spending. Since 1991 more than \$30 billion of local property taxes have been drained from cities, counties and special districts—costing cities alone \$800 million in FY 2003-04 and \$6.9 billion the last 12 years. Even in years of state budget surpluses, the state has used these funds to finance its constitutional funding obligation to public education, allowing it to increase state general fund spending for other state programs. This has come at the expense of vital local public safety and other services.

State Shifts Costs to Local Governments. In recent years the state also has shifted costs for state-sponsored programs and delayed constitutionally required reimbursements to local governments for state mandated programs and services. In the last two fiscal years, the state has “deferred” over \$1 billion in constitutionally required reimbursements to local governments for mandated services and programs. This cost burden is then paid with local taxes that should be used for important local services

Constitutional Protection Needed Now. The League has joined forces with the California State Association of Counties (CSAC) and the California Special Districts Association (CSDA) to sponsor a ballot initiative in November 2004, entitled the *Local Taxpayers and Public Safety Protection Act*, to put the voters in charge of whether local tax dollars should be used to fund state services. It will not raise taxes. It will not repeal laws the state has already passed. It will not require the return of property taxes already taken nor affect funding of schools. It will not prevent structural reform of the fiscal system—simply require that structural changes be planned collaboratively by state and local leaders and approved by the voters. The initiative will do two simple things:

- Public Vote Required. Require approval by a majority of the electorate before a proposed state law may take effect that reduces the sales, property and VLF funds of cities, counties and special districts. Flexibility is provided to reduce the VLF and replace it with substitute revenues (i.e., a “backfill”) without voter approval; and
- Reimburse for Mandated Costs. Clarify the state's duty to reimburse in a timely way for a new mandated program or higher level of service, protecting local governments from hidden cost shifts. Allows local governments to opt-out of certain non-workplace safety and employee procedural rights mandates if the state fails to pay in a timely way.

For More Information. Contact Chris McKenzie, Executive Director (916-658-8275); Mike Madrid, Public Affairs Director (916-658-8272); or Dwight Stenbakken, Deputy Executive Director (916-658-8232).

How to Make A Contribution. The League has established a political action committee (CITIPAC--ID # 1254399) for contributions to this initiative. For more information, contact 916-658-8273, email info@citipac.org or go to www.citipac.org.

Revised October 30, 2003

TALKING POINTS

LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT

- The filing of our measure represents the culmination of many months of work and collaborative efforts with our partners at CSAC and the CSDA. It represents the work, advice and suggestions of some of the state's expert legal, policy and political minds who are intimately familiar with the challenges and opportunities facing local government.
- This filing follows many months of research and polling. It addresses voters opinions and concerns about the need for structural reform in California's finances, their desire to see local taxes stay in their communities, their desire to see police, fire, health and emergency services protected, and their belief that they – the voters of the state – should have the ultimate decision when the state seeks to raid funds designated for local government.
- This filing is another strong sign that all branches of local government are working together for structural reform and remain united in their long term relationship, committed to seeing the state and local fiscal relationship resolved for mutual benefit.
- With the numerous alliances and unprecedented coalition built under the LOCAL (Leave Our Community Assets Local) umbrella over the past few years, our coalition is uniquely positioned to fight for the short term priorities of local government in the budget process – but more importantly, we are also capable of waging a statewide campaign effort simultaneously.
- In filing a measure in October, we are extremely encouraged at the pace of the campaign, the fundraising structure and the political team we have put in place. Though we also recognize that a number of significant hurdles remain, our organization has been building towards and preparing for this time for well over a year and we are well positioned for a campaign at this early phase.
- In the coming weeks, we will undergo an intense education process to inform our members of the policy ramifications of the measure, while simultaneously building on our political capacity and expanding our coalition to raise the necessary funds and gather signatures to qualify the measure once we receive title and summary.

The Local Taxpayers and Public Safety Protection Act

Ensuring Voter Control Over Local Tax Dollars for Public Health, Safety and Other Essential Local Services

The Problem:

For more than a decade, the California State Legislature has been taking away increasing amounts of local tax dollars that local governments use to provide essential services like police and fire protection, emergency and public health care, roads, parks, libraries and water delivery. In fact, through good times and bad, the State has been taking away billions in local tax dollars each year -- forcing local governments to either raise local fees or taxes to maintain services, or cut back on critically needed services.

The system is broken. Voters must act now to protect local services by protecting local revenues from being taken by the State.

The Solution:

The 2004 Local Taxpayers and Public Safety Protection Act would increase local control over our local tax dollars. This measure would let the voters have the final say on proposed actions by the State Legislature that would further reduce local government funding. It would protect the vital local services that California residents rely on each and every day -- such as public safety and emergency care, roads, libraries, parks and transportation -- by requiring voter approval before the State could reduce funding for local services or shift more costs to local governments.

What this measure does:

- Requires voter approval before the Legislature can reduce local government revenues or take them for state, rather than local, purposes.
- Ensures that local tax dollars are available to fund local services like police and fire, emergency and trauma care, parks, roads, libraries and water delivery.
- Makes it absolutely clear that if the State Legislature mandates that local governments provide new or expanded programs or services, then the State would have to reimburse local governments for the cost of those programs.
- Provides flexibility for state budgeting decisions, but requires voter-approval on any future State Legislative actions that would reduce funding for essential local services.

What this measure DOES NOT do:

- Does not raise taxes. In fact, this measure will help decrease pressures for local fees and taxes by protecting local revenue sources from State raids.
- Does not increase funding to local governments. Simply prevents the State Legislature from raiding future local government funding.
- Does not reduce funding that schools receive from local property taxes or funding that schools receive from the State.
- Does not reduce funding for other state programs like schools or highways.

2004 Local Taxpayers and Public Safety Protection Act

Q&A

What would this measure do?

The 2004 Local Taxpayers and Public Safety Protection Act would increase local control over our local tax dollars. This measure would let the voters have the final say on proposed actions by the State Legislature that would further reduce local government funding. It would protect the vital local services that California residents rely on each and every day – such as public safety and emergency care, roads, libraries, parks and transportation – by requiring voter approval before the State could reduce funding for local services or shift more costs for state programs to local governments.

Why is your measure needed?

For more than a decade, the California State Legislature has been taking away increasing amounts of local tax dollars that local governments use to provide essential services like police and fire protection, emergency and public health care, roads, parks, libraries and water delivery. In fact, through good times and bad, the State has been taking away billions in local tax dollars each year -- forcing local governments to either raise local fees or taxes to maintain services, or cut back on critically needed services.

The system is broken. Voters must act now to protect local services by protecting local revenues from being taken by the State.

When do you plan to put this on the ballot? How many signatures do you need to qualify?

Officially, we need 598,105 valid signatures to qualify the measure for the November 2004 ballot. We plan to collect a far greater number of signatures to ensure it qualifies and that the voters are given the opportunity to protect their local tax dollars and protect funding for local public safety, health and other essential local services.

Who supports this measure?

The principal sponsors of the 2004 Local Taxpayers and Public Safety Protection Act are the League of California Cities, California State Association of Counties and the California Special Districts Association. Now that we have filed the initiative, we expect to grow a broad and diverse coalition of public safety and health advocates, taxpayer and business groups, seniors, community leaders and others who all have an interest in supporting the voters' right to protect their local tax dollars and their local services.

Will this measure prevent state fiscal reform efforts?

No. In fact, a key element of State fiscal reform is drawing a clear line in the sand that prevents the State Legislature from using local revenues to solve its problems or as a means of increasing state spending at the expense of local services.

Will this measure raise taxes?

No. In fact, this measure will help decrease pressures for local fees and taxes by protecting local revenue sources from state legislative raids.

Does this measure increase revenues to local governments?

No. It simply prevents the State Legislature from further taking local government revenues without a vote of the people.

How will the new Governor respond to this? Don't you think you should first give him a chance to correct the fiscal problems of the state?

First, we would like to thank the Governor-elect for his positive statements in the media and during his campaign and his pledge to protect local services. We look forward to working with Governor Schwarzenegger to achieve his stated goal of protecting local governments and allowing local governments to provide the services that CA residents rely on every day.

The fact is, however, the voters deserve to have the final say on state actions that will erode their local tax dollars and local services – no matter who is the governor and what the composition of the legislature.

Why didn't you attempt to recollect lost ERAF property tax dollars?

This measure was intentionally drafted to draw a line in the sand and prevent future state legislative raids of local government funding. While local governments and services are still suffering from the continual state raid of property taxes, given the state of California's fiscal health, we believe a more responsible approach at this time is to "stop the bleeding" at current levels.

Will this measure erode funding for education?

No. This measure does not reduce state funding to schools and does not reduce funding that schools receive from local property taxes.

What about other state programs? Will your measure reduce funding for State programs like roads and prisons?

Again, our initiative simply prevents the State from taking LOCAL revenues without a vote of the people. The state still has flexibility over its own revenues.

Will this measure tie legislature's hands in passing a budget?

No. Our initiative does not tell the state how to spend its own revenues. It simply prevents the State from taking funds that are designated for local governments and local services, or shifting/imposing costs to locals -- unless first approved by a vote of the people.

Aren't we just adding to the state's fiscal woes by initiating further "ballot-box-budgeting" that puts restrictions on how they can spend their revenues?

No. The initiative does not tell the state how to spend the state's own revenues (as some propositions have done). What it does do is prevent the state from taking local revenues for state purposes without a vote of the people. It essentially confirms that local tax revenues are for local government services unless the voters decide otherwise.

Does this measure prevent the new Governor or Legislature from rolling back the car tax?

No. It simply ensures that local governments will be kept "whole" through a backfill or some other means. If the legislature and/or Governor want to roll back the car tax without providing backfill to local governments, they are free to do so but must get the approval of the electorate.

THE LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT

An Outline and Summary

SECTION ONE. Short Title.

LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT

SECTION TWO. Findings and Declarations.

Explains the historical and legal basis for the initiative and sets forth its purposes. Specifically states it does not amend or modify Proposition 98 (school funding guarantee)

SECTION THREE

Section 1. State-wide Voter Approval Required

- (a) Requires approval by a majority of the voters before the legislature can:
- (1) **Property Tax.** Reduce, or suspend or delay receipt of the percentage shares of the property taxes of local governments (not ERAF or school share) or require local governments to pay property taxes to the state, a state-created fund (e.g., ERAF), or another local government (unless consented to). Includes RDAs.
 - (2) **VLF.** Reduce, or delay or suspend receipt of, the amount of revenue appropriated in 2002-03 to any city or county, plus annual growth, for the VLF and VLF backfill, unless this amount is offset by replacement revenues (like the previous state general fund backfill);
 - (3) **Sales Tax.** Restrict the authority to impose, or changes the method of distributing, the Bradley Burns Local Sales Tax;
 - (4) **VLF Loan.** Refuse to repay cities and counties in 2006 for the VLF backfill loan to the state made in the current budget year.
 - (5) **Triple Flip.** Refuse to return the ½ cent of local sales tax authority suspended by the "Triple Flip" legislation passed as part of the 2003 budget or fail to make the property tax backfill payments to cities and counties while the Triple Flip is in existence.
- (b) **Tax Exemptions and Classifications.** Also requires voter approval if the Legislature establishes classifications or exemptions from the property or sales tax without compensating local governments for the lost revenue.
- (c) **Required Legislative Vote.** Requires legislative approval of any proposal to reduce local revenues by whatever vote is required by the constitution to approve the state budget. Currently that is a 2/3 vote, but if the Budget Accountability Act is passed in March it will be 55%.
- (d) **Wording of Ballot Question.** States the wording of the question for the voters. This is framed like a referendum question would be phrased under the constitution.

Section 2. Definitions (Abbreviated)

- (a) "Local Government" means a city, county, city and county, or special district.
- (b) "Local Government Base Year Fund" is the term used to describe the amount of the 2002-2003 VLF or its successor if it is eliminated. If it is eliminated, the successor revenue source will grow at a rate consistent with the "Gann Factor" in existing Article XIII B.
- (c) "2003 Local Government Payment Deferral" means the amount of the VLF "Gap" Loan that was approved in the 2003 state budget.
- (d) "Local Property Tax" means the ad valorem property tax (not parcel taxes since they are not based on the value of the property) and the redevelopment property tax increment.

- (e) "Local Sales Tax" means only the Bradley Burns Sales Tax (before the Triple Flip) and not any other sales taxes, such as transit taxes.
- (f) "Special District" means the standard special districts and also includes redevelopment agencies.
- (g) "State" means the State of California.

Section 3. Interim Measures (Retroactive Provisions)

This section subjects laws passed after November 1, 2003, which would require voter approval under the ballot measure, to the voter approval requirements of Section 1 if the voters approve the initiative in November 2004. Until approved by the voters at a subsequent statewide election, any such law would be suspended unless the legislature provides a replacement for the lost local revenue.

SECTION FOUR. Mandates.

This section amends and adds additional subsections to an existing section of the state constitution requiring reimbursements for unfunded mandates. It applies only to mandated functions that are eligible for reimbursement. It does not apply to mandated functions that are not eligible for reimbursement (e.g., federal mandates, mandates that also apply to the private sector as well like civil rights mandates, mandates for which a funding source is provided, etc.). The changes are:

- (a) No changes are made to this existing subsection.
- (b) **Prompt Payment and Definition of Mandate.** Requires state government to pay local governments the reimbursements that are legally due within 180 days of the effective date of a mandate or the final adjudication of the duty to pay. It also clarifies that the State mandates a new or higher level of service when it does a number of specific acts that shift costs to local governments, including expanding eligibility for services, increasing the frequency or duration of services, etc.
- (c) **Suspension of Unreimbursed Mandates.** Provides that if the budget does not appropriate the amount due for a mandated program or service that a local government may elect to suspend compliance with the mandate, except for existing mandates that require safe working conditions or establish procedural rights (e.g., Police Officer Bill of Rights), for local government employees.
- (d) **Definition of "Mandate"**. Restates the existing definition of a "mandate": an act of the legislature or an order of a state agency that requires reimbursement under Article XIII B.

SECTION FIVE. Construction

- (a) **Liberal Construction.** Requires liberal construction by the courts to ensure the provision of adequate local funds for critical local services.
- (b) **Property Tax Shares Not Affected.** States the measure should not be construed either to alter the apportionment of property taxes (to any local government, schools, ERAF, etc.) or to prevent the Legislature from altering the apportionment as provided in the initiative (e.g., with voter approval if it would reduce the shares of local governments).
- (c) **Limited Retroactivity.** Clarifies the initiative is not retroactive except as provided in SECTION THREE, concerning interim measures.

SECTION SIX. Severability

Allows the court to hold parts of the Act invalid without invalidating the entire Act.

THE LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT

SECTION ONE. Short Title.

These amendments to the California Constitution shall be known and may be cited as the LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT.

SECTION TWO. Findings and Purposes

(a) The People of the State of California find that restoring local control over local tax dollars is vital to insure that local tax dollars are used to provide critical local services including police, fire, emergency and trauma care, public health, libraries, criminal justice, and road and street maintenance. Reliable funding for these services is essential for the security, well-being and quality of life of all Californians.

(b) For many years, the Legislature has taken away local tax dollars used by local governments so that the State could control those local tax dollars. In fact, the Legislature has been taking away billions of local tax dollars each year, forcing local governments to either raise local fees or taxes to maintain services, or cut back on critically needed local services.

(c) The Legislature's diversion of local tax dollars from local governments harms local governments' ability to provide such specific services as police, fire, emergency and trauma care, public health, libraries, criminal justice, and road and street maintenance.

(d) In recognition of the harm caused by diversion of local tax dollars and the importance placed on voter control of major decisions concerning government finance, and consistent with existing provisions of the California Constitution that give the people the right to vote on fiscal changes, the People of the State of California want the right to vote upon actions by the State government that take local tax dollars from local governments.

(e) The Local Taxpayers and Public Safety Protection Act is designed to insure that the People of the State of California shall have the right to approve or reject the actions of state government to take away local revenues that fund vitally needed local services.

(f) The Local Taxpayers and Public Safety Protection Act strengthens the requirement that if the State mandates local governments to implement new or expanded programs, then the State shall reimburse local governments for the cost of those programs.

(g) The Local Taxpayers and Public Safety Protection Act does not amend or modify the School Funding Initiative, Proposition 98 (Article XVI, section 8 of the California Constitution).

(h) Therefore, the People declare that the purposes of this Act are to:

- (1) require voter approval before the Legislature removes local tax dollars from the control of Local Government, as described in this measure;
- (2) insure that local tax dollars are dedicated to local governments to fund local public services;
- (3) insure that the Legislature reimburses local governments when the State mandates local governments to assume more financial responsibility for new or existing programs; and
- (4) prohibit the Legislature from deferring or delaying annual reimbursement to local governments for state-mandated programs.

SECTION THREE. Article XIII E is hereby added to the California Constitution to read as follows:

ARTICLE XIII E Local Taxpayers and Public Safety Protection Act

Section 1. State-wide Voter Approval Required

(a) Approval by a majority vote of the electorate, as provided for in this section, shall be required before any act of the Legislature takes effect that removes the following funding sources, or portions thereof, from the control of any Local Government as follows:

- (i) Reduces, or suspends or delays the receipt of, any Local Government's proportionate share of the Local Property Tax when the Legislature exercises its power to apportion the Local Property Tax; or requires any Local Government to remit Local Property Taxes to the State, a state-created fund, or, without the consent of the affected Local Governments, to another Local Government;
- (ii) Reduces, or delays or suspends the receipt of, the Local Government Base Year Fund to any Local Government, without appropriating funds to offset the reduction, delay or suspension in an equal amount;
- (iii) Restricts the authority to impose, or changes the method of distributing, the Local Sales Tax;
- (iv) Reduces, or suspends or delays the receipt of, the 2003 Local Government Payment Deferral; or
- (v) Fails to reinstate the suspended Bradley-Burns Uniform Sales Tax Rate in accordance with Section 97.68 of the Revenue and Taxation Code added by Chapter 162 of 2003 Statutes; or reduces any Local Government's allocation of the Property Tax required by Section 97.68 while the Sales Tax Rate is suspended.

(b) A vote of the electorate, as provided in this section, shall also be required if an act of the Legislature that establishes classifications or exemptions from the Local Property Tax or the Local Sales Tax does not include a continuous appropriation to reimburse Local Governments for the actual loss of revenue from those classifications or exemptions.

(c) Prior to its submission to the electorate, an act subject to voter approval under this section must be approved by the same vote of the Legislature as is required to enact a budget bill and shall not take effect until approved by a majority of those voting on the measure at the next statewide election in accordance with subdivision (d).

(d) When an election is required by this section, the Secretary of State shall present the following question to the electorate: "Shall that action taken by the Legislature in [Chapter____ of the Statutes of ____], which affects local revenues, be approved?"

Section 2. Definitions

(a) "Local Government" means any city, county, city and county, or special district.

(b) "Local Government Base Year Fund" means the amount of revenue appropriated in the 2002-2003 fiscal year in accordance with Chapters 1 through 5, commencing with section 10701 of Part 5 of Division 2 of the Revenue and Taxation Code in effect on August 9, 2003, adjusted annually based upon the change in assessed valuation of vehicles that are subject to those provisions of law. In the event that the fees imposed by those provisions of law are repealed, then the Fund shall be adjusted annually on July 1 by an amount equal to the percentage change in per capita personal income and the change in population, as determined pursuant to Article XIII B.

(c) "2003 Local Government Payment Deferral" means the amount of revenues required to be transferred to Local Government from the General Fund specified in paragraph D of subdivision 3 of subsection (a) of section 10754 of the Revenue and Taxation Code as it read on August 9, 2003.

(d) "Local Property Tax" means any Local Government's January 1, 2003 proportionate share of ad valorem taxes on real property and tangible personal property apportioned pursuant to the Legislature's exercise of its power to apportion property taxes as specified in Article XIII A, section 1. "Local Property Tax" also means any Local Government's allocation of the ad valorem tax on real property and tangible personal property pursuant to Article XVI, section 16.

(e) "Local Sales Tax" means any sales and use tax imposed by any city, county, or city and county pursuant to the Bradley-Burns Uniform Sales and Use Tax (Chapter 1 of Part 1.5 of Division 2 of the Revenue and Taxation Code) in accordance with the law in effect on January 1, 2003.

(f) "Special District" means an agency of the State, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions with limited geographic boundaries, including redevelopment agencies, but not including school districts, community college districts, or county offices of education.

(g) "State" means the State of California.

Section 3. Interim Measures

(a) The operation and effect of any statute enacted between November 1, 2003 and the effective date of this Act, that would have required voter approval pursuant to Section 1 if enacted on or after the effective date of this Act (the "Interim Statute"), shall be suspended on that date and shall have no further force and effect until the date the Interim Statute is approved by the voters at the first statewide election following the effective date of this Act in the manner specified in Section 1. If the Interim Statute is not approved by the voters, it shall have no further force and effect.

(b) If the Interim Statute is approved by the voters, it shall nonetheless have no further force and effect during the period of suspension; provided, however, that the statute shall have force and effect during the period of suspension if the Interim Statute or separate act of the Legislature appropriates funds to affected local governments in an amount which is not less than the revenues affected by the Interim Statute.

SECTION FOUR. Article XIIIB Section Six (6) is hereby amended as follows:

SEC. 6. (a) Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall annually provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

- ~~(a)~~ (i) Legislative mandates requested by the local agency affected;
- ~~(b)~~ (ii) Legislation defining a new crime or changing an existing definition of a crime; or
- ~~(c)~~ (iii) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) The annual subvention of funds required by this section shall be transmitted to the local government within 180 days of the effective date of the statute or regulation or order by a State officer or agency that mandates a new program or higher level of service, or within 180 days of a final adjudication that a subvention of funds is required pursuant to this section. For purposes of this section, the Legislature or any State agency or officer mandates a new program or higher level of service when it creates a new program, requires services not previously required to be provided, increases the

frequency or duration of required services, increases the number of persons eligible for services, or transfers to local government complete or partial financial responsibility for a program for which the State previously had complete or partial financial responsibility.

(c) If during the fiscal year in which a claim for reimbursement is filed for a subvention of funds, the Legislature does not appropriate a subvention of funds that provides full reimbursement as required by subdivision (a), or does not appropriate a subvention of funds that provides full reimbursement as part of the state budget act in the fiscal year immediately following the filing of that claim for reimbursement, then a local government may elect one of the following options:

(i) Continue to perform the mandate. The local government shall receive reimbursement for its costs to perform the mandate through a subsequent appropriation and subvention of funds; or

(ii) Suspend performance of the mandate during all or a portion of the fiscal year in which the election permitted by this subdivision is made. The local government may continue to suspend performance of the mandate during all or a portion of subsequent fiscal years until the fiscal year in which the Legislature appropriates the subvention of funds to provide full reimbursement as required by subdivision (a). A local government shall receive reimbursement for its costs for that portion of the fiscal year during which it performed the mandate through a subsequent appropriation and subvention of funds.

The terms of this subdivision do not apply, and a local government may not make the election provided for in this subdivision, for a mandate in effect on January 1, 2004 that either requires safe working conditions for local government employees or establishes procedural rights arising from and directly relating to local government employment.

(d) For purposes of this section, "mandate" means a statute, or action or order of any state agency, which has been determined by the Legislature, any court, or the Commission on State Mandates or its designated successor, to require reimbursement pursuant to this section.

SECTION FIVE. Construction.

(a) This measure shall be liberally construed to effectuate its purposes, including providing adequate funds to Local Government to fund local services such as police, fire, emergency and trauma care, public health, libraries, criminal justice, and road and street maintenance.

(b) This measure shall not be construed either to alter the apportionment of the ad valorem tax on real property pursuant to Section 1 of Article XIII A by any statute in effect prior to January 1, 2003 or to prevent the Legislature from altering that apportionment in compliance with the terms of this measure.

(c) Except as provided in Section 3 of Article XIII E added by Section Three of this Act, the provisions of Section 1 of Article XIII E added by Section Three of this Act apply to all statutes adopted on or after the effective date of this Act.

SECTION SIX. If any part of this measure or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications that reasonably can be given effect without the invalid provision or application.